

**NC OFFICE OF THE STATE CONTROLLER**  
**2010 CAFR PACKAGE INSTRUCTIONS**  
**FOR COMMUNITY COLLEGES**

1. To begin, select your college name from the drop down box and enter header information on the Index page of the 2010CollProforma Excel workbook. The header information will be carried to each worksheet and certain cells in the file will be populated when the correct college name is selected. Enter your financial statement data for Exhibits A & B. The capital assets worksheet and long-term liabilities worksheet must be completed first and the summary amounts from these worksheets will be linked in to Exhibit A.
2. See the page below for instructions for the Capital Assets worksheet. Instructions for the Long-term Liabilities worksheet are included on the bottom of the worksheet.
3. The Analytical Review/Two year comparative worksheet to compute variances is built in to the 2010CollProforma file. As you enter the financial data for 2010 for Exhibits A and B, the caption totals will link in to the 2010 column on the Analytical Review worksheet. Then key in the 2009 data to the appropriate column. The formulas built in to the worksheet will compute differences, and based on the established criteria, indicate by a “C” which differences need to be explained. Those captions and totals identified for comment will need to be entered on worksheet 625 for Analytical Review. Your explanations for the identified items should include reasons for the changes. Please refer to the additional set of Analytical Review worksheet 625 instructions below for more information.
4. Beginning net assets on Exhibit B must tie to the total ending net assets for your college per the 2009 CAFR. The 6/30/09 ending fund equity amounts for each college per the CAFR are built in to a table in the 2010CollProforma file. The ending fund equity amount for your college will link in to the “Net assets – beginning of year” cell when you select your college name on the Index worksheet. Any fund equity changes must be reflected in the Restatement line on Exhibit B. The college’s package will not be accepted by OSC if submitted with the beginning fund equity not agreeing to the prior year ending per the CAFR.
5. Colleges must strictly adhere to the established materiality threshold and specific exceptions for amounts due from/to primary government and due from/to component units. Note the threshold amount of 1 million dollars. The college’s package will not be accepted by OSC if the threshold and specific guidelines are not followed. Amounts not meeting the established criteria should be reclassified as accounts receivable/payable for CAFR reporting. When the information becomes available from the System Office, the amount due from the System Office for construction projects will be linked in to the Exhibit A cell “Restricted due from Primary Government.” Colleges must confer and agree with the System Office on these amounts before the package is submitted to OSC.
6. Refer to the Community College list below to determine the CAFR filename for your college. Please save your Excel 2010CollProforma file as the assigned CAFR filename.
7. Questions? Call Lauren Lemons at (919) 981-5490 or Helen Vozzo at (919) 981-5483.
8. E-mail your 2010CollProforma workbook renamed as the CAFR filename for your college, along with your letter of certification to [cafr@osc.nc.gov](mailto:cafr@osc.nc.gov) by **August 27, 2010**. Please include your college name in the subject line. OSC will send a confirmation reply to acknowledge the receipt of your package. Remember to save a copy of your final package for your records. Thank you!

## College Numbers and CAFR Filenames for each college

Save your 2010CollProforma file as the CAFR filename assigned to your college.

	College		CAFR
	Number	<u>COMMUNITY COLLEGE</u>	<u>FILENAME</u>
1	C0	Alamance Community College	CC1
2	C1	South Piedmont Community College	CC2
3	C2	Asheville-Buncombe Tech Community College	CC3
4	C3	Beaufort County Community College	CC4
5	C4	Bladen Community College	CC5
6	C5	Blue Ridge Community College	CC6
7	C6	Brunswick Community College	CC7
8	C7	Caldwell Community College and Tech Institute	CC8
9	C8	Cape Fear Community College	CC9
10	C9	Carteret Community College	CC10
11	CA	Catawba Valley Community College	CC11
12	CB	Central Carolina Community College	CC12
13	CC	Central Piedmont Community College	CC13
14	CD	Cleveland Community College	CC14
15	CE	Coastal Carolina Community College	CC15
16	CF	College of the Albemarle	CC16
17	CG	Craven Community College	CC17
18	CH	Davidson County Community College	CC18
19	CJ	Durham Technical Community College	CC19
20	CK	Edgecombe Community College	CC20
21	CL	Fayetteville Technical Community College	CC21
22	CM	Forsyth Technical Community College	CC22
23	CN	Gaston College	CC23
24	CP	Guilford Technical Community College	CC24
25	CQ	Halifax Community College	CC25
26	CR	Haywood Community College	CC26
27	CS	Isothermal Community College	CC27
28	CT	James Sprunt Community College	CC28
29	CU	Johnston Community College	CC29
30	CV	Lenoir Community College	CC30
31	CW	Martin Community College	CC31
32	CX	Mayland Community College	CC32
33	CY	McDowell Technical Community College	CC33
34	CZ	Mitchell Community College	CC34
35	D0	Montgomery Community College	CC35
36	D1	Nash Community College	CC36
37	D2	Pamlico Community College	CC37
38	D3	Piedmont Community College	CC38
39	D4	Pitt Community College	CC39
40	D5	Randolph Community College	CC40
41	D6	Richmond Community College	CC41
42	D7	Roanoke-Chowan Community College	CC42
43	D8	Robeson Community College	CC43
44	D9	Rockingham Community College	CC44
45	DA	Rowan-Cabarrus Community College	CC45
46	DB	Sampson Community College	CC46
47	DC	Sandhills Community College	CC47
48	DD	Southeastern Community College	CC48
49	DE	Southwestern Community College	CC49
50	DF	Stanly Community College	CC50
51	DG	Surry Community College	CC51

52	DH	Tri-County Community College	CC52
53	DJ	Vance-Granville Community College	CC53
54	DK	Wake Technical Community College	CC54
55	DL	Wayne Community College	CC55
56	DM	Western Piedmont Community College	CC56
57	DN	Wilkes Community College	CC57
58	DP	Wilson Community College	CC58

## Instructions for Capital Assets Worksheet in 2010Collproforma file

**Beginning Balance=June 30, prior year.** *These beginning balances must equal the June 30 ending balances per prior year CAFR. Any audit adjustments to the 6/30/09 balances that were made after the CAFR package was submitted to OSC must be reflected in the Prior Year Asset Adjustment column. The beginning balances are equal to the prior year ending balances per the CAFR and are built in to the worksheet.*

**Prior Year Asset Adjustment** Additions to the fixed asset system that were made in this fiscal year, but which had a prior year acquisition date. Also included in this column are audit adjustments for FY 2009 that were made after the CAFR package was submitted to OSC. *If there are any prior year adjustments, worksheet 430 must be completed and the amounts on these worksheets should tie.*

**For any prior year adjustments related to GASB 51-Intangible Assets, provide a description of the asset and an explanation of the adjustment on the Explanations worksheet.**

### Additions

1. New Additions (capitalized fixed assets \$5,000 and greater). Also, include accrual fixed assets transactions (capitalized fixed assets acquired prior to June 30 but paid for in subsequent year).
2. Also include "adjustments" to capitalized fixed assets. Adjustments are increases or decreases to assets already on the fixed asset system. Positive adjustments are included in the additions column.

**Deletions** Current year retirements and adjustments to capitalized fixed assets. Adjustments are increases or decreases to assets already on the fixed asset system. Negative adjustments are included in the deletions column.

**Balance June 30** The calculated ending balance should agree to the general ledger asset type.

### Accumulated Depreciation – Capital Assets

**Beginning Balance=June 30, prior year** The beginning balance represents the calculated accumulated depreciation for all capitalized, depreciable fixed assets, by asset type, as of 6/30/2009. *These beginning balances must tie to the June 30 ending balances per prior year CAFR. Any audit adjustments to the 6/30/09 balances that were made after the CAFR package was submitted to OSC must be reflected in the Prior Year Asset Adjustment column. The beginning balances are equal to the prior year ending balances per the CAFR and are built in to the worksheet.*

**Prior Year Asset Adjustment** Additions to the fixed asset system that were made in this fiscal year, but which had a prior year acquisition date. Also included in this column are audit adjustments that were made after the CAFR package was submitted to OSC.

**Additions** Represent the current year entries to accumulated depreciation when depreciation expense entries are recorded. *Total should equal depreciation expense. If the two amounts do not tie, provide an explanation for the difference.*

**Deletions** Represent the reductions of accumulated depreciation associated with the current year disposal of fixed assets.

**Balance June 30** The calculated ending balance should agree to the general ledger  
**The June 30, 2010 ending balances for “Capital assets – nondepreciable” and “Capital assets – depreciable, net” will link from this worksheet to the captions on Exhibit A.**

**IMPORTANT:**

There is not a separate CAFR worksheet/schedule for amounts due from primary government. If the college has an amount due from the primary government, it must meet the 1 million dollar threshold. Otherwise the amount should be reported as an accounts receivable for CAFR presentation. If the college has a due from primary government amount that meets the 1 million dollar threshold, it should be included on Exhibit A and OSC will contact the college for further information. See also the related note below.

**The following is a reminder and is not a change from the prior year.**

The balance due from the NC Community College System Office for capital projects, including the Higher Ed bond money, is reported in the separate caption “**Restricted Due from Primary Government**” in the **noncurrent assets** section on Exhibit A. There is no dollar threshold for this amount. The System Office will provide the balances by college to the OSC in early July. These amounts will be built in to a table in the **CollProforma** workbook so that when the college number is entered on the index sheet, the balance for the college will be linked in to the Restricted due from Primary Government caption on Exhibit A. The Restricted Due from Primary Government amount should not be reported on any additional CAFR worksheet or schedule. If the college disagrees with the amount determined by the System Office, the college must reconcile the difference with the System Office.

**SCHEDULE OF DUE TO PRIMARY GOVERNMENT (520)**

Prepare the schedule of Due to Primary Government if necessary using the following guidelines. This schedule provides information on amounts due to primary government (state) agencies. This schedule must be prepared to support any balance shown as “Due to Primary Government” on the Exhibit A.

The first column is requesting the Agency Number of the agency to which monies are owed.

The second column is the GASB Number of the fund entity of the agency to which monies are being transferred. Contact with the payee agency will be essential for the proper completion of this worksheet.

An aggregated threshold of **\$1,000,000** per Agency and Individual GASB Number will apply to the Due to Primary Government accounts. Record those aggregated amounts of \$1,000,000 or more as Due To Primary Government. For amounts under the threshold, record as an Accounts Payable.

Note that all amounts must meet the \$1,000,000 threshold and tie to the Exhibit A.

There is an **EXCEPTION to the \$1,000,000 threshold**, however, for **payables** to the following funds:

- Agency No. 13 GASB 2714 Motor Fleet Management, Dept. of Administration
- Agency No. 41 GASB 2730 State Computer Center, ITS
- Agency No. 41 GASB 2731 State Telecommunications Services, ITS
- Agency No. 42 GASB 1396 Prison Enterprises, Dept. of Correction

Any amount (no threshold) due to these funds at 6/30 must be recorded as Due to Primary Government. Do not contact these agencies for their agreement with the amounts recorded. Their agency numbers and GASB numbers have been provided above and on the schedule.

If not an exception and the million dollar threshold is met, please contact the agency involved to obtain information on the agency number and the GASB number and the agency's agreement with the amount.

The total amount recorded on the schedule must tie to the total due to primary government shown on the Statement of Net Assets (Exhibit A). If the college has recorded other amounts not meeting any of the above criteria as Due to Primary Government, these amounts should be reclassified as accounts payable for CAFR reporting. The schedule total must tie to the Exhibit A amount for CAFR reporting.

### **SCHEDULES OF DUE FROM/RESTRICTED DUE FROM /TO STATE OF NC COMPONENT UNITS (525 and 530)**

These two schedules should be completed by the college when there is a receivable/payable relationship with other component units of the State of NC. Please refer to the list of Component Units provided below.

Identify on the schedule amounts of \$1,000,000 or more due to or due from an individual component unit agency.

If this dollar threshold is met, please contact the agency involved to verify the agency's agreement with the amount.

#### **EXCEPTION:**

There is an exception to the \$1,000,000 threshold for receivables from the Golden LEAF, Inc., Agency No. ZI, GASB 2640. Note that this represents money to be received directly from the Golden LEAF. If the amount involved is for Golden LEAF funds that flow through the System office or another state or local agency, the receivable does not meet the criteria for this exception and should be classified as accounts receivable.

Any amount (no threshold) due from Golden LEAF at 6/30 must be recorded as Due from /Restricted Due From State of NC Component Units on Exhibit A and shown on the schedule.

### **LIST OF COMPONENT UNITS**

The following agencies are considered component units of the State of North Carolina for the 2010 CAFR reporting. Also refer to the Agencies list in the CAFR Excel workbook for names of colleges and universities and all state agencies.

<u>Agency</u>	<u>GASB</u>	<u>Name</u>
0A	2611	N.C. Housing Finance Agency
ZA	2612	State Ports Authority
10	2614	N.C. Agricultural Finance Authority
Z3	2615	N.C. Global TransPark Authority
Z2	2618	N.C. Biotechnology Center

ZB	2620	State Education Assistance Authority
Z7	2621	N.C. Partnership for Children
ZC	2622	Western N.C. Regional Economic Development Commission
ZD	2623	Northeastern N.C. Regional Economic Development Commission
ZE	2624	Southeastern N.C. Regional Economic Development Commission
ZF	2625	Rural Economic Development Center
ZH	2627	North Carolina Railroad Company
6A	2629	State Health Plan
48	263X	UNC Hospitals (part of UNC System – see Agencies list)
48R	2637	Rex Healthcare (part of UNC System – see Agencies list)
48C	2638	Chatham Hospital (part of UNC System – see Agencies list)
ZI	2640	The Golden LEAF, Inc.
ZK	2643	NC Health Insurance Risk Pool
87	4XXX	NC School of Science & Math (part of UNC System)
UXX	4XXX	UNC System (16 universities and UNC General Administration – see Agencies list)
CX-DX	4XXX	Community Colleges (58 colleges – see Agencies list above or in CAFR Excel file)

## DEFINITIONS AND GENERAL STATUTES FOR WORKSHEET 601

### SPECIAL SEPARATION ALLOWANCE FOR RETIRED LAW ENFORCEMENT OFFICERS

#### Eligibility Requirements for Special Separation Allowance Benefits:

To qualify for the Special Separation Allowance, each sworn law enforcement officer must have retired on a basic service retirement under the provisions of G.S. 135-5(a) and also must:

- (1) have completed 30 or more years of creditable service or have attained 55 years of age and completed five or more years of creditable service; and
- (2) not have attained 62 years of age; and
- (3) have completed at least five years of continuous service as a law enforcement officer immediately preceding a service retirement.

#### Definition of Law enforcement Officer:

G.S. 135-1(11b) and G.S. 143-166.30(a)(4) both define the term *law enforcement officer* as "a full-time paid employee of an employer who is actively serving in a position with assigned primary duties and responsibilities for prevention and detection of crime or the general enforcement of the criminal laws of the State of North Carolina or serving civil processes, and who possesses the power of arrest by virtue of an oath administered under the authority of the State."

#### **G.S. 143-166.41. Special separation allowance.**

(a) Notwithstanding any other provision of law, every sworn law-enforcement officer as defined by G.S. 135-1(11b) or G.S. 143-166.30(a)(4) employed by a State department, agency, or institution who qualifies under this section shall receive, beginning on the last day of the month in which he retires on a basic service retirement under the provisions of G.S. 135-5(a) or G.S. 143-166(y), an annual separation allowance equal to eighty-five hundredths percent (0.85%) of the annual equivalent of the base rate of compensation most recently applicable to him for each year of creditable service. The allowance shall be paid in 12 equal installments on the last day of each month. To qualify for the allowance the officer shall:

(1) Have (i) completed 30 or more years of creditable service or, (ii) have attained 55 years of age and completed five or more years of creditable service; and

(2) Not have attained 62 years of age; and

(3) Have completed at least five years of continuous service as a law enforcement officer as herein defined immediately preceding a service retirement. Any break in the continuous service required by this subsection because of disability retirement or disability salary continuation benefits shall not adversely affect an officer's qualification to receive the allowance, provided the officer returns to service within 45 days after the disability benefits cease and is otherwise qualified to receive the allowance.

(b) As used in this section, "creditable service" means the service for which credit is allowed under the retirement system of which the officer is a member, provided that at least fifty percent (50%) of the service is as a law enforcement officer as herein defined.

(c) Payment to a retired officer under the provisions of this section shall cease at the death of the individual or on the last day of the month in which he attains 62 years of age or upon the first day of reemployment by any State department, agency, or institution.

(d) This section does not affect the benefits to which an individual may be entitled from State, federal, or private retirement systems. The benefits payable under this section shall not be subject to any increases in salary or retirement allowances that may be authorized by the General Assembly for employees of the State or retired employees of the State.

(e) The head of each State department, agency, or institution shall determine the eligibility of employees for the benefits provided herein.

(f) The Director of the Budget may authorize from time to time the transfer of funds within the budgets of each State department, agency, or institution necessary to carry out the purposes of this Article. These funds shall be taken from those appropriated to the department, agency, or institution for salaries and related fringe benefits.

(g) The head of each State department, agency, or institution shall make the payments set forth in subsection (a) to those persons certified under subsection (e) from funds available under subsection (f).

(1983 (Reg. Sess., 1984), c. 1034, s. 104; 1985, c. 479, s. 143; 1985 (Reg. Sess., 1986), c. 1014, ss. 51, 52.)

Editor's Note. - Section 143-166, referred to in subsection (a) of this section, was repealed by Session Laws 1985, c. 479, s. 196(t), effective January 1, 1986. See now para. 143-166.50, 143-166.60.

"Creditable service," for purposes of determining a local law enforcement officer's eligibility for the special separation allowance benefit and for calculating the amount of that benefit, is service for which credit is allowed under either retirement system of which the officer is a member. See opinion of Attorney General to Claire McNaught, Public Safety Attorney, City of Winston-Salem, 56 N.C.A.G. 40 (1986).

A local law enforcement officer's eligibility for the special separation allowance benefit is in all instances determined by the officer's local government employer. See opinion of Attorney General to Claire McNaught, Public Safety Attorney, City of Winston-Salem, 56 N.C.A.G. 40 (1986).

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## **SCHEDULE OF DUE FROM COLLEGE COMPONENT UNITS (615)**

This worksheet must be completed only if the college has a discretely presented component unit foundation that will be reported on the Foundation Conversion Template, and if the college has a receivable from the foundation. Report any amount that is due from the foundation at June 30 (no threshold) and the amount reported on the schedule must agree to the amount on Exhibit A, in the caption "Due from college component units."

### **Instructions for Analytical Review worksheet 625**

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**SIGNIFICANT INCREASES/DECREASES** — For the purpose of this worksheet a significant change in a report caption will be defined to be changes (increases/decreases) as follows:

**Primary Government** Greater than or equal to **15%**, **AND** in a threshold amount greater than or equal to **\$15,000,000**

**Universities and Major Component Units** Greater than or equal to **15%**, **AND** in a threshold amount greater than or equal to **\$10,000,000**

**Colleges and Nonmajor Component Units** Greater than or equal to **15%**, **AND** in a threshold amount greater than or equal to **\$2,000,000** (For colleges, this is built in to the CollProforma spreadsheet)

**Primary (general) government agencies** should analyze SIGNIFICANT CHANGES from the prior year at the financial statement report caption level, for each **GASB fund type (General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, General Long-term Debt, General Fixed Assets)**.

**University and community college** analysis of report captions should be done only once at the "*total funds*" level. Universities and community colleges report in one column as a business-type activity.

All significant changes to assets, liabilities, revenues and other financing sources, and expenditures/expenses and other uses, should be analyzed. Indicate the **REASON** for the change in the description field. Attach additional information as necessary.

**Specific reasons** for significant fluctuations should be described in terms of:

**economic changes;**  
**legal influences or changes;**  
**policy changes;**  
**legislative changes;**  
**demographic shifts or trends;**  
**environmental impacts (including weather); and**  
**administrative, management, or accounting changes**

Your **REASONS** should present **ADDITIONAL INFORMATION** that would otherwise not be available, or obvious, to the local, state, and national **USERS** of your financial information.

The analytical review worksheet should disclose *unusual and significant* items.

Management Discussion and Analysis (MD&A) is a requirement in the governmental reporting model (required supplementary information – RSI).

Each agency or institution that issues separate audited financial statements will need to include MD&A narrative, with charts and tables, in their separately issued financial statements.

## Net Assets Policy

### Authority:

GASB Statement 34 and related implementation guides  
GASB Statement 46, *Net Assets Restricted by Legislation*

### Effective Date:

7/1/2001; Revised 3/20/2007

The following applies to the proprietary and government-wide financial statements of the State primary government and to component units.

### Policy:

*Net Assets Restricted by Enabling Legislation (GASB 46):* For the State primary government, constraints placed on net asset use by enabling legislation are not reported as net asset restrictions since such constraints are not legally enforceable. An Attorney General Advisory Opinion referenced that the Governor, pursuant to his constitutional authority under Article III, Section 5(3), may use resources restricted by enabling legislation in his discretion to meet a budget shortfall. Legal enforceability means that the State can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

*Flow of Funds Assumption (GASB 34, paragraph 115h):* Under some programs, the State has the option of using either restricted or unrestricted resources to make certain payments. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use receipts first (which include restricted and unrestricted resources), then State appropriations as necessary. Receipts are defined as all funds collected by an agency or institution other than State appropriations. The decision to use restricted or unrestricted receipts to fund a payment is transactional-based within the departmental management system in place at the agency or institution. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first.

### Accounting Guidance:

The equity reported in the statement of net assets should be labeled net assets and displayed in the following three components: (1) invested in capital assets, net of related debt; (2) restricted (distinguishing between major categories of restrictions); and (3) unrestricted.

#### Invested in Capital Assets, Net of Related Debt

This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Generally, the effect of capital debt on total net assets will be negligible since the outstanding capital debt will be offset by either capital assets and/or restricted cash related to any unspent proceeds. However, it is essential that both the restricted assets and the liabilities related to the restricted assets be reported within the same category of net assets. Reporting both within the same classification of net assets prevents one classification from being overstated while another is understated by a similar amount. For example, if there are

significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds should not be included in the calculation of "invested in capital assets, net of related debt". Rather, that portion of the debt should be included in the same net assets component as the unspent proceeds for example, "restricted for capital projects". Therefore, if no capital assets have been purchased or constructed from the debt proceeds, the entire amount of the debt would reduce net assets "restricted for capital projects". If some capital assets have been purchased or constructed from the debt proceeds, that portion of the debt would be considered "capital-related." The remainder the unspent portion of the debt would be included in the calculation of net assets "restricted for capital projects".

All uses of bond proceeds do not have to be categorized to determine how much of the debt actually relates to assets that have been capitalized. Unless a significant portion of the debt proceeds is spent for noncapitalizable purposes, the entire amount should be considered "capital-related."

If debt is issued to refund existing capital-related debt, the new debt is also considered capital-related. Even though the direct connection between the capital assets and the debt issued to finance the construction or acquisition has been eliminated, the replacement debt assumes the capital characteristics of the original issue.

Unamortized debt issue costs and deferred amounts from refunding "follow the debt" in calculating net asset components for the statement of net assets. That is, if the debt is capital-related, the deferred amounts would be included in the calculation of "invested in capital assets, net of related debt." If the debt is restricted for a specific purpose and the proceeds are unspent, the net proceeds would affect "restricted net assets."

The state issues bonds to construct/renovate capital assets of other entities (e.g., local governments and colleges/universities). The bonds are a liability of the state, but the buildings will be reported as capital assets of the other respective entities. Because the state acquires no capital assets, the debt is not "capital-related" to the state. Therefore, the effect of the noncapital debt should be reflected in the unrestricted net assets component. The fact that the bonds are related to capital assets of another entity does not make the debt "capital" debt of the issuing government even though the assets acquired may benefit its residents. The government has incurred a liability, decreasing its net assets, with no corresponding increase in its capital or financial assets.

#### Restricted Net Assets

Net assets should be reported as restricted when constraints placed on net asset use are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments
- b. Imposed by law through constitutional provisions.

The basic concept is that restrictions are not unilaterally established by the reporting government itself, and cannot be removed without the consent of those imposing the restrictions. This category of net assets is intended to identify resources that were received or earned by the government with an explicit understanding between the government and the resource providers that the funds would be used for a specific purpose. For example, grants, contributions, and donations are often given under those kinds of conditions. Bond indentures similarly limit the use of proceeds. Also, a State law authorizing a component unit to levy or charge a tax or fee, the proceeds which can only be used for specified purposes, is a restriction imposed by an external party (i.e., the State) and any related net assets should be reported by the component unit as restricted.

The specific purpose of a restriction must be narrower than the reporting government itself. For example a grant to a college that may be used only for educational purposes should not be considered restricted, since the purpose of the grant is as broad as that of the college itself. A true restriction must impose a real limitation on the use of resources.

This category of net assets should represent restricted assets on the accrual basis reduced by liabilities that relate to those specific assets. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets. Examples of related liabilities include the following:

- Unspent portion of capital debt related to amounts restricted for capital projects.
- Unspent portion of noncapital debt related to amounts restricted for education.
- Accrued interest related to funds restricted for debt service.

- Compensated absence accruals related to federal grant reimbursements (*Note: Generally, compensated absences will reduce unrestricted net assets. However, compensated absences will be considered related liabilities if they are reimbursable expenses when earned*).

No category of restricted net assets can be negative. If liabilities that relate to restricted assets exceed those assets, no balance should be reported; the negative amount should be reported as a reduction of unrestricted net assets.

When permanent endowments or permanent fund principal amounts are included, "restricted net assets" should be displayed in two additional components expendable and nonexpendable. Nonexpendable net assets are those that are required to be retained in perpetuity.

Amounts reported as reserved fund balances in governmental funds will generally be different from amounts reported as restricted net assets in the government-wide statement of net assets. These amounts will differ because different measurement focuses and bases of accounting are used in the statement of net assets than in governmental fund statements and because the definition of reserved includes more than resources that are restricted. For example, reserves include amounts not available for appropriation (e.g., inventories) that are not restricted.

In the notes to the financial statements, the summary of significant accounting policies should disclose the government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

### Unrestricted Net Assets

Unrestricted net assets are the "residual" component of net assets. It consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Situations where the State's internal governing body (General Assembly) places restrictions on existing resources or earmarks existing revenue sources are considered to be constraints that are internally imposed. In these situations, the government does not obtain funds under restrictive conditions; thus, the limitations imposed indicate designations, not restrictions. Such internally dedicated net assets should be presented as unrestricted.

Designations of net assets should not be reported on the face of the statement of net assets.

Unrestricted net assets may be a negative number to the extent that a government has elected to fund certain long-term liabilities (compensated absences) as they come due rather than when they are incurred. Agencies should be certain that all liabilities payable from restricted sources have been reported as part of the restricted net assets component.



## Community College Year-end CAFR Package Review Checklist

**Prepare Exhibits A & B, Capital Assets worksheet, Long-term Liabilities worksheet, Analytical Review, and all other CAFR footnote worksheets in 2010Collproforma file**

- Exhibits A & B are in balance with no error messages
- Capital Assets worksheet is complete
- The Excel file is saved as the assigned CAFR filename for the college listed in the instructions

### **REVIEW FINANCIAL STATEMENTS and CAFR worksheets**

- Statement of Net Assets (Exhibit A) must be in balance (Total Assets – Total Liabilities = Total Net Assets)
- There should be no error messages on Exhibits A and B or anywhere in the workbook.

### **IMPORTANT:**

- Beginning fund equity on Exhibit B must equal the prior year ending fund equity in total for the college per the 2009 CAFR. Any change must be reflected in the Restatement line. **The college's package will not be accepted by OSC if submitted with the beginning fund equity not agreeing to the prior year ending per CAFR.** The ending fund equity per prior year CAFR has been provided in a table that will link in to the "Net assets – beginning of year" cell on Exhibit B.
- Total fund equity on Exhibit A must equal the ending fund equity on Exhibit B.

- Due to and Due from accounts within the college should have been eliminated against the related revenues and expenses.
- The amount reported as Restricted due from Primary Government on Exhibit A should represent the amount due from the System Office, including the Higher Ed bond money, for capital projects. This amount has been determined by the NC Community College System office, and the college must confer and agree with the System Office on the amount before the package is submitted. **Do not** report the Restricted Due from Primary government amount on any additional CAFR worksheet in the package.
- There should not be any amounts reported as Due from Primary Government on Exhibit A unless the threshold amount of **\$1,000,000** is met. Amounts below the threshold should be classified for CAFR reporting as accounts receivable. Only amounts of \$1 million dollars or more need to be classified as “Due from Primary Government.”  
**Note:** There is no longer a schedule of Due from Primary Government included in the CAFR package for community colleges. If the college has an amount that meets the 1 million dollar threshold, OSC will contact the college for further information.
- The amount reported as Due to Primary Government on Exhibit A should include any amounts (no threshold) owed to these funds: Department of Administration Motor Fleet (Motor pool) ; State Computer Center (ITS); State Telecommunications (Phone); and Prison Enterprises (printing, etc) . These amounts should be reported on the Schedule of Due to Primary Government. If there are any other amounts included in the Due to Primary Government caption on Exhibit A, the threshold amount of \$1,000,000 must be met (see instructions below). Except for amounts owed to the funds listed above, any amounts below the \$1,000,000 threshold should not be reported in Due to Primary Government; these should be classified for CAFR reporting as accounts payable. The total per the schedule of Due to Primary Government must tie to Exhibit A.
- There is an **exception** for Due from /Restricted Due From State of NC Component Units. Any receivable amount (no threshold) due from the Golden LEAF Foundation should be recorded on the schedule of Due from /Restricted Due From State of NC Component Units and the total must tie to the “Due from State of NC Component Units” and/or “Restricted Due From State of NC Component Units” caption on Exhibit A.
- Mandatory and nonmandatory transfers should have been eliminated against each other.

#### ACCOUNT CLASSIFICATIONS

- Check for reasonableness (account balances are normal) and **proper classifications** of accounts.

#### FINAL REVIEW:

- Letter of certification has been prepared and signed by both the chief executive officer and chief financial officer and electronically submitted to the OSC by **August 27, 2010**. Send to the CAFR e-mail address: [cafr@osc.nc.gov](mailto:cafr@osc.nc.gov)
- The CAFR package file has been e-mailed by **August 27, 2010** to the OSC CAFR e-mail address: [cafr@osc.nc.gov](mailto:cafr@osc.nc.gov)
- Full college name is included in the subject line for the e-mail to the OSC.
- The Statement of Cash Flows should NOT be submitted with your CAFR package; however you are required to disclose in the letter of certification that the college’s formal financial statements including the statement of cash flows using the direct method, as well as the formal notes and the formal management’s discussion and analysis will be prepared and available for the State Auditors by **September 30, 2010**. Colleges should NOT submit their formal financial statements and notes to the OSC.
- **Colleges that have Foundations that are not blended but meet the criteria for reporting as a discretely presented component unit of the college must submit the Foundation conversion template to the OSC by September 15, 2010.** Send to the CAFR e-mail address: [cafr@osc.nc.gov](mailto:cafr@osc.nc.gov)

**QUESTIONS?** Please call Lauren Lemons at (919) 981-5490 or Helen Vozzo (919) 981-5483;  
e-mail [lauren.lemons@osc.nc.gov](mailto:lauren.lemons@osc.nc.gov) or [helen.vozzo@osc.nc.gov](mailto:helen.vozzo@osc.nc.gov) **THANK YOU!**